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HOUSING AUTHORITY OF ARCADIA, LOUISIANA
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
TWELVE MONTHS ENDED JUNE 30, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 27 2000

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION

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HOUSING AUTHORITY OF ARCADIA
SUMMARY OF AUDITOR'S RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

- A. We issued an unqualified opinion on the Housing Authority of Arcadia, Louisiana for the audit of its financial statements for the year ended June 30, 2000.
- B. The financial statements are prepared on the Enterprise Method. See Auditor's Report and Note A.
- C. No reportable conditions in internal control were disclosed by our audit of the financial statements
- D. The audit did not disclose any noncompliance which is material to the financial statements.
- E. No reportable conditions in internal control were disclosed by our audit over major programs.
- F. We issued an unqualified opinion on compliance for major programs.
- G. Our audit disclosed two audit findings that we are required to report under 510(a) of OMB Circular A-133.
- H. Major programs are as follows, and see Schedule of Federal Expenditures for CFDA numbers and amounts:
 - 1. Low Income Housing
 - 2. CIAP
 - 3. Drug Elimination
- I. The dollar threshold to distinguish Type A and Type B programs is \$300,000.
- J. The Housing Authority of Arcadia, Louisiana did not qualify for the year ended June 30, 2000 as a low-risk auditee.

Schedule of Findings and Questioned Costs

- K. There are no findings in these financial statements that are required to be reported in accordance with GAGAS.
- L. There are two audit findings but no questioned costs for Federal awards which shall include audit findings as described in 510a of OMB Circular A-133.

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MEMBER
AMERICAN BOARD CERTIFIED
PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners
Housing Authority of Arcadia
Arcadia, Louisiana

Regional Inspector General for Audit
Office of Inspector General
Department of Housing and Urban
Development

We have audited the accompanying general-purpose financial statements of the Housing Authority of Arcadia, Louisiana at and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Housing Authority of Arcadia, Louisiana's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Arcadia, Louisiana as of June 30, 2000, the results of its operations, changes in its total net assets and statement of cash flows for the year then ended, in conformity with generally accepted accounting principles.

As described in Note A to the financial statements, the PHA has changed from the Governmental Funds to the Enterprise Funds method for the year ended June 30, 2000.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2000 on our consideration of Housing Authority of Arcadia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the Housing Authority of Arcadia, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, Financial Data Schedule and other supplementary schedules are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information had been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the PHA, and for filing with the Department of HUD and should not be used for any other purpose.

Mike Estes, P.C.

Fort Worth, Texas
November 13, 2000

HOUSING AUTHORITY OF ARCADIA
BALANCE SHEET - ENTERPRISE FUND
JUNE 30, 2000

LA 045

Assets

Current assets

Investments - Note B	\$ 263,363.00
Accounts receivable - HUD - Note L	84,222.00
Interest receivable - other	243.00
Prepaid insurance	19,095.00

Total current assets	366,923.00
-----------------------------	------------

Fixed Assets

Land	38,695.00
Buildings	4,052,151.00
Furniture, equipment & machinery	67,975.00

	4,158,821.00
--	--------------

Less: Accumulated depreciation	1,279,606.00
--------------------------------	--------------

Net fixed assets	2,879,215.00
-------------------------	--------------

Total assets	\$ 3,246,138.00
---------------------	-----------------

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA
BALANCE SHEET - ENTERPRISE FUND BASIS
JUNE 30, 2000

LA 045

Liabilities

Current liabilities

Tenant's security deposits	\$ 5,724.00
Accounts payable - other	65,349.00
Accrued wages, compensated absences	10,149.00
Deferred credit	745.00

Total current liabilities	81,967.00
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Fund equity

Total contributed capital	2,879,215.00
---------------------------	--------------

Total contributed capital	2,879,215.00
----------------------------------	--------------

Retained earnings - Exhibit B	284,956.00
-------------------------------	------------

Total Net Assets	3,164,171.00
-------------------------	--------------

Total Liabilities and Net Assets	\$ 3,246,138.00
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The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - ENTERPRISE FUND
YEAR ENDED JUNE 30, 2000

LA 045

Revenues

Tenant revenue	\$ 131,413.00
HUD subsidy - Low Rent	41,648.00
CIAP & DEP soft costs grant	282,039.00
Interest income	2,375.00
Other revenue	6,921.00

Total Operating Revenue	464,396.00
--------------------------------	------------

Operating expenses

Administrative	77,285.00
Utilities	8,467.00
Maintenance	103,876.00
General expense	40,969.00
Depreciation	61,419.00
CIAP & DEP soft costs	60,818.00

Total operating expenses	352,834.00
---------------------------------	------------

Net operating income (loss)	111,562.00
------------------------------------	------------

Retained earnings, 6/30/99	2,011,418.00
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Deduct: Prior year GAAP adjustments	(1,838,024.00)
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Retained earnings, 6/30/99, restated	173,394.00
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Retained earnings, 6/30/00	\$ 284,956.00
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Net HUD contribution, 6/30/99	1,490,636.00
-------------------------------	--------------

Current year addition	1,388,579.00
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Net HUD contribution, 6/30/00	2,879,215.00
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Total Net Assets, 6/30/00 - Exhibit A	\$ 3,164,171.00
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The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
YEAR ENDED JUNE 30, 2000

LA 045

Cash flows from operating activities:

Tenant revenue	\$ 131,413.00
Operating subsidies	323,687.00
Other operating revenue	6,921.00
Operating expenses	<u>(352,834.00)</u>
Net cash (used) in operating activities	<u>109,187.00</u>

Cash flows from capital and related financing activities

HUD CIAP hard cost advances	1,390,559.00
Equipment and CIAP additions	<u>(1,339,739.00)</u>
Net cash provided (required) by capital and financing activities	<u>50,820.00</u>

Cash flows from investing activities

Interest income	<u>2,375.00</u>
Net cash provided (used) from investing activities	<u><u>\$ 2,375.00</u></u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA
 STATEMENT OF CASH FLOWS - ENTERPRISE FUND (continued)
 YEAR ENDED JUNE 30, 2000

LA 045

Adjustments

Depreciation	61,419.00
NET prior year adjustments - noncash	133,120.00
Changes in assets and liabilities:	
Increase in accounts receivable	\$ (84,215.00)
Increase in prepaid insurance	(147.00)
Increase in accrued wages and payroll taxes	10,149.00
Increase in security deposits	5,724.00
Decrease in deferred credits	(146,492.00)
Increase in accounts payable	35,713.00
Total adjustments	<u>15,271.00</u>
Change in cash and equivalents	177,653.00
Cash and equivalents beginning of year	<u>85,710.00</u>
Cash and equivalents end of year - Exhibit A	<u>\$ 263,363.00</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA
COMPARISON OF ACTUAL HUD REVENUE AND
EXPENSES TO HUD BUDGETED
YEAR ENDED JUNE 30, 2000

LA 045

	HUD Budget	Actual	Over (Under) Budget
Revenues			
Tenant revenue	\$ 131,420.00	\$ 131,413.00	\$ (7.00)
HUD subsidy - Low Rent	41,648.00	41,648.00	0.00
CIAP & DEP soft costs grant	226,210.00	282,039.00	55,829.00
Interest income	2,380.00	2,375.00	(5.00)
Other revenue	0.00	6,921.00	6,921.00
Total operating revenue	<u>401,658.00</u>	<u>464,396.00</u>	<u>62,738.00</u>
Operating expenses			
Administration	67,960.00	77,285.00	9,325.00
Utilities	8,480.00	8,467.00	(13.00)
Maintenance	78,820.00	103,876.00	25,056.00
General expense	59,190.00	40,969.00	(18,221.00)
Depreciation	0.00	61,419.00	61,419.00
CIAP & DEP soft costs	0.00	60,818.00	60,818.00
Total operating expenses	<u>\$ 214,450.00</u>	<u>\$ 352,834.00</u>	<u>\$ 138,384.00</u>
Excess (deficient) revenues	187,208.00	111,562.00	(75,646.00)
Add:			
Depreciation - not budgeted by HUD	<u>0.00</u>	<u>61,419.00</u>	<u>61,419.00</u>
Excess (deficiency) of budgeted revenues over expenses	<u>\$ 187,208.00</u>	<u>\$ 172,981.00</u>	<u>\$ (14,227.00)</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF
ACCOUNTING PRINCIPLE

The Housing Authority of Arcadia, Louisiana (the Authority), a public corporate body, was organized for the purpose of providing decent, safe, and sanitary dwelling accommodations for persons of low income.

The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Arcadia, Louisiana. Each member serves a five-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development (HUD). The Annual Contributions Contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities and housing assistance payments for eligible individuals.

(1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of June 30, 2000, and for the fiscal year then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

HOUSING AUTHORITY OF ARCADIA

NOTES TO FINANCIAL STATEMENTS

(continued)

JUNE 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(2) Change in Accounting Principle

For the year ended June 30, 2000, the PHA has changed from the Government Funds Method to the Enterprise Method. This change was strongly recommended by the Real Estate Assessment Center (REAC) of The Department of Housing and Urban Development.

The Enterprise Funds Method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

The Enterprise Fund recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable. In the prior method used, the Governmental Funds Method, the modified accrual method was necessary.

Depreciation expense must be recognized for the Enterprise Fund. Under the Governmental Funds Method, depreciation was optional and the PHA elected not to recognize it.

The PHA applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

REAC suggests that soft costs from development and modernization be deleted from fixed assets and charged to HUD Capital Contributions.

REAC also allows PHA's to reclassify outstanding debt owed to HUD to Contributed Capital.

HOUSING AUTHORITY OF ARCADIA

NOTES TO FINANCIAL STATEMENTS

(continued)

JUNE 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(3) Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program. Annual budgets are not required for CIAP grants as their budgets are approved for the length of the project.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures. Budgeted amounts are as originally adopted or as amended by the Board

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation. The budget does reflect furniture and equipment additions from operations.

(4) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, and demand deposits.

HOUSING AUTHORITY OF ARCADIA

NOTES TO FINANCIAL STATEMENTS

(continued)

JUNE 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(5) Tenant Receivables

Receivables for rentals and service charges are reported in the General Fund, net of allowances for doubtful accounts.

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at June 30, 2000. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 - Uncollateralized, uninsured and unregistered, but with securities held by the bank, its trust department, or its agent, pledged to the PHA, but not in the PHA's name.

HOUSING AUTHORITY OF ARCADIA

NOTES TO FINANCIAL STATEMENTS

(continued)

JUNE 30, 2000

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balances	Category		
	1	2	3
\$ 263,363	\$ 200,000	\$	\$

* See audit finding #1

NOTE C - ACTIVITIES OF THE PHA

At June 30, 2000, the PHA was managing 120 units of low-rent in three projects under Program FW - 2001.

NOTE D - CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

HOUSING AUTHORITY OF ARCADIA

NOTES TO FINANCIAL STATEMENTS

(continued)

JUNE 30, 2000

NOTE E - FIXED ASSETS

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Site improvements	10 Years
Buildings	20 Years
Buildings improvements	10 Years
Nondwelling structures	10 Years
Equipment	3 to 7 Years

	<u>06/30/00</u> <u>Cost</u>	<u>06/30/99</u> <u>Accumulated</u> <u>Depreciation</u>	<u>Current</u> <u>Depreciation</u>	<u>06/30/00</u> <u>Accumulated</u> <u>Depreciation</u>
Land	38,695			
Buildings and Improvements	4,052,151	1,214,335	57,567	1,271,902
Equipment	41,975	3,852	3,852	7,704
Construction in Progress	26,000			
	<u>4,158,821</u>	<u>1,218,187</u>	<u>61,419</u>	<u>1,279,606</u>

The capitalization limit is \$ 5,000.00

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

HOUSING AUTHORITY OF ARCADIA
NOTES TO FINANCIAL STATEMENTS
(continued)
JUNE 30, 2000

NOTE F - RETIREMENT PLAN

The PHA does not have a retirement plan.

NOTE G - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

NOTE H - ACCOUNTING FOR THE IMPAIRMENT OF LONG - LIVED ASSETS

The full amount of the carrying value of buildings and land improvements are deemed recoverable from future cash flows.

NOTE I - USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE J - COMPENSATED ABSENCES

Employees earn annual leave based upon years of service, and may accrue up to 300 hours. Sick time is earned but not accrued since it is dependent upon a future event. Upon termination all accrued vacation time is paid. At 6/30/00 the PHA had a liability of \$10,149.00. Of the aforementioned amount, \$9,732.00 pertained to the prior year. Only the \$417.00 increase is recognized as a current year expense in these financial statements.

HOUSING AUTHORITY OF ARCADIA

NOTES TO FINANCIAL STATEMENTS

(continued)

JUNE 30, 2000

NOTE K - FUND EQUITY AND RETAINED EARNINGS

As a result of changing from the method of accounting to the enterprise fund-type of proprietary accounting as stated in Note A, 6/30/99 fund equity and 6/30/99 retained earnings has been restated by various prior period adjustments.

Prior period adjustments to retained earnings are as follows:

	<u>Low Rent</u>
Reclassify soft costs	\$ 610,105
Prior accumulated depreciation	1,218,187
Accrued leave	<u>9,732</u>
Total	\$ <u>1,838,024</u>

Restatement of contributed capital is as follows:

6/30/99 contributed capital	\$ 1,417,095
HUD guaranteed debt reclassified	<u>73,241</u>
6/30/99 contributed capital, restated	\$ <u>1,490,636</u>

NOTE L - ACCOUNTS RECEIVABLE AND PAYABLE - HUD

Accounts receivable - HUD are comprised as follows:

Accounts receivable	\$ 81,122.00	1998 CIAP
	3,100.00	1999 Drug Elimination
	<u>84,222.00</u>	

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF ARCADIA

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST

ANNUAL CONTRIBUTION CONTRACT

LA 045

1. The Actual Modernization Costs are as follows:

	Project 1997	Project 1999
Funds Approved	\$ 1,100,000.00	\$ 221,222.00
Funds Expended	<u>1,100,000.00</u>	<u>221,222.00</u>
Excess of Funds Approved	<u>0.00</u>	<u>0.00</u>
Funds Advanced	\$ 1,100,000.00	\$ 221,222.00
Funds Expended	<u>1,100,000.00</u>	<u>221,222.00</u>
Excess of Funds Advanced	<u>0.00</u>	<u>0.00</u>

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs dated 1/15/00 and 1/26/00 for projects 1997 and 1999 accompanying the Actual Modernization Costs Certificates submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA

STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

JUNE 30, 2000

CASH BASIS

	Project 1998
	<hr/>
Funds Approved	\$ 1,263,336.00
Funds Expended	<hr/> 1,184,292.58
Excess of Funds Approved	<hr/> 79,043.42
	<hr/>
Funds Advanced	\$ 1,103,171.58
Funds Expended	<hr/> 1,184,292.58
Excess of Funds Advanced	<hr/> \$ (81,121.00)

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA

STATEMENT AND CERTIFICATION OF ACTUAL DRUG ELIMINATION COST

ANNUAL CONTRIBUTION CONTRACT

LA 045

1. The Actual Drug Elimination Costs are as follows:

	<u>LA 18DEP 0450198</u>
Funds Approved	\$ 50,000.00
Funds Expended	<u>50,000.00</u>
Excess of Funds Approved	<u>0.00</u>
 Funds Advanced	 \$ 50,000.00
Funds Expended	<u>50,000.00</u>
Excess of Funds Advanced	<u>0.00</u>

2. The distribution of costs submitted to HUD for approval is in agreement with the PHA's records.

3. All drug elimination costs have been paid and all related liabilities have been discharged through payment.

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA

STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

JUNE 30, 2000

CASH BASIS

	Project 1999
Funds Approved	\$ 26,000.00
Funds Expended	<u>26,000.00</u>
Excess of Funds Approved	<u>0.00</u>
Funds Advanced	\$ 22,899.30
Funds Expended	<u>26,000.00</u>
Excess of Funds Advanced	\$ <u>(3,100.70)</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2000

FEDERAL GRANTOR PROGRAM TITLE	CDFA NO.	PROGRAM EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Programs:		
Low-Income Housing		
Operating Subsidy	14.850	41,648.00
Major Program Total		41,648.00
Drug Elimination	14.854	58,219.00
Major Program Total		58,219.00
Comprehensive		
Improvement		
Assistance Program	14.852	1,640,772.00
Major Program Total		1,640,772.00
Total HUD		\$ 1,740,639.00

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Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Housing Authority of Arcadia
Arcadia, Louisiana

We have audited the compliance of the Housing Authority of Arcadia, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. The Housing Authority of Arcadia, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Arcadia, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Arcadia, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Arcadia Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Arcadia, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Arcadia, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. We noted two instances of nonmaterial compliance which are noted in the two audit findings.

Internal Control Over Compliance

The management of The Housing Authority of Arcadia, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Arcadia, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mike Estes, P.C.

Fort Worth, Texas
November 13, 2000

The Notes to Financial Statements are an integral part of these statements.

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Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Governmental Auditing Standards

Housing Authority of Arcadia
Arcadia, Louisiana

We have audited the financial statements of the Housing Authority of Arcadia, Louisiana as of and for the year ended June 30, 2000, and have issued our report thereon dated November 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of Arcadia, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*, or the Louisiana Governmental Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Arcadia, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is a matter of public record and its distribution is not limited.

Mike Estes, P. C.

Fort Worth, Texas
November 13, 2000

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF ARCADIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2000

Prior Audit Findings and Questioned Costs

There were no prior audit findings.

Current Audit Findings

Inadequate Securities Pledged

- 1) At 6/30/00, the bank had only pledged \$100,000. This, coupled with the \$100,000 FDIC insurance, gave the PHA total coverage of \$200,000. The bank was under-pledged by \$63,363.

Recommendation

The PHA should make sure the bank always has adequate collateral pledged.

Reply

We will do so. The bank pledged additional, sufficient collateral of \$100,000 on November 8, 2000.

Utility Allowances Need Updating

- 2) Utility allowances have not been updated in years.

Recommendation

The PHA should update its utility allowance.

Reply

We are in the process of doing so. We have hired a consultant who is doing a survey.

HOUSING AUTHORITY OF ARCADIA
SCHEDULE OF AUDIT JOURNAL ENTRIES
YEAR ENDED JUNE 30, 2000

LA 045

	ACCT. # FOR AUDIT PURPOSES	DR	CR	ACCT. # FOR POSTING TO PHA BOOKS
<1> 98 CIAP	1400	189,163.33		
Unreserved Surplus	2810		189,163.33	

To adjust the 1998 CIAP to 6/30/00 balance of \$1,184,292.58

<2> Accounts Receivable	1135	81,121.20		
Grant Income	2845		81,121.20	

To accrue income on the 1998 CIAP

<3> Accounts Receivable	1135	3,100.70		
Grant Income	2845		3,100.70	

To accrue income on the 1999 DEP

LA045 06/30/2000

Line Item #	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Total
100	Total Cash	\$0	\$0	\$0	\$0
121	Accounts Receivable - PHA Projects	\$84,222	\$0	\$0	\$84,222
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$243	\$0	\$0	\$243
120	Total Receivables, net of allowances for doubtful accounts	\$84,465	\$0	\$0	\$84,465
131	Investments - Unrestricted	\$263,363	\$0	\$0	\$263,363
142	Prepaid Expenses and Other Assets	\$19,095	\$0	\$0	\$19,095
150	Total Current Assets	\$366,923	\$0	\$0	\$366,923
161	Land	\$38,695	\$0	\$0	\$38,695
162	Buildings	\$1,708,522	\$2,140,203	\$0	\$3,848,725
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$23,000	\$0	\$23,000
164	Furniture, Equipment & Machinery - Administration	\$18,975	\$0	\$0	\$18,975
165	Leasehold Improvements	\$203,426	\$0	\$0	\$203,426
166	Accumulated Depreciation	\$-1,279,604	\$-1	\$-1	\$-1,279,606
167	Construction in Progress	\$0	\$0	\$26,000	\$26,000
160	Total Fixed Assets, Net of Accumulated Depreciation	\$690,014	\$2,163,202	\$25,999	\$2,879,215
180	Total Non-Current Assets	\$690,014	\$2,163,202	\$25,999	\$2,879,215
190	Total Assets	\$1,056,937	\$2,163,202	\$25,999	\$3,246,138

LA045 06/30/2000

Line Item #	Account Description	Low Rent Public Housing	Public Housing_Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Total
312	Accounts Payable <= 90 Days	\$53,059	\$0	\$0	\$53,059
322	Accrued Compensated Absences	\$10,149	\$0	\$0	\$10,149
333	Accounts Payable - Other Government	\$12,290	\$0	\$0	\$12,290
341	Tenant Security Deposits	\$5,724	\$0	\$0	\$5,724
342	Deferred Revenues	\$745	\$0	\$0	\$745
310	Total Current Liabilities	\$81,957	\$0	\$0	\$81,957
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$0
300	Total Liabilities	\$81,957	\$0	\$0	\$81,957
503	Long-term Debt - HUD Guaranteed	\$73,241	\$0	\$0	\$73,241
504	Net HUD PHA Contributions	\$616,773	\$2,163,202	\$25,999	\$2,805,974
508	Total Contributed Capital	\$690,014	\$2,163,202	\$25,999	\$2,879,215
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
512	Undesignated Fund Balance/Retained Earnings	\$284,956	\$0	\$0	\$284,956
513	Total Equity	\$974,970	\$2,163,202	\$25,999	\$3,164,171

300	Total Liabilities and Equity	\$1,056,937	\$2,163,202	\$25,999	\$3,246,138
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LA045 06/30/2000

Line Item #	Account Description	Low Rent Public Housing	Public Housing_ Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Total
705	Net Tenant Rental Revenue	\$131,413	\$0	\$0	\$131,413
705	Total Tenant Revenue	\$131,413	\$0	\$0	\$131,413
706	RUD PHA Grants	\$41,648	\$252,193	\$29,846	\$323,687
711	Investment Income - Unrestricted	\$2,375	\$0	\$0	\$2,375
715	Other Revenue	\$6,921	\$0	\$0	\$6,921
700	Total Revenue	\$182,357	\$252,193	\$29,846	\$464,396
911	Administrative Salaries	\$36,741	\$0	\$0	\$36,741
912	Auditing Fees	\$2,130	\$0	\$0	\$2,130
914	Compensated Absences	\$417	\$0	\$0	\$417
915	Employee Benefit Contributions - Administrative	\$8,942	\$0	\$0	\$8,942
916	Other Operating - Administrative	\$29,055	\$30,972	\$29,846	\$89,873
931	Water	\$379	\$0	\$0	\$379
932	Electricity	\$6,965	\$0	\$0	\$6,965
933	Gas	\$897	\$0	\$0	\$897
938	Other Utilities Expense	\$226	\$0	\$0	\$226
941	Ordinary Maintenance and Operations - Labor	\$36,003	\$0	\$0	\$36,003
942	Ordinary Maintenance and Operations - Materials and Other	\$25,631	\$0	\$0	\$25,631
943	Ordinary Maintenance and Operations - Contract Costs	\$15,617	\$0	\$0	\$15,617
945	Employee Benefit Contributions - Ordinary Maintenance	\$8,762	\$0	\$0	\$8,762

LA045 06/30/2000

Line Item #	Account Description	Low Rent Public Housing	Public Housing_ Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Total
961	Insurance Premiums	\$28,520	\$0	\$0	\$28,520
963	Payments in Lieu of Taxes	\$12,295	\$0	\$0	\$12,295

966	Bad Debt - Other	\$154	\$0	\$0	\$154
969	Total Operating Expenses	\$212,734	\$30,972	\$29,846	\$273,552
970	Excess Operating Revenue over Operating Expenses	\$-30,377	\$221,222	\$0	\$190,844
971	Extraordinary Maintenance	\$17,863	\$0	\$0	\$17,863
974	Depreciation Expense	\$61,417	\$1	\$1	\$61,419
900	Total Expenses	\$292,014	\$30,973	\$29,847	\$352,834
1001	Operating Transfers In	\$221,222	\$0	\$0	\$221,222
1003	Operating Transfers from/to Primary Government	\$0	\$-221,222	\$0	\$-221,222
1010	Total Other Financing Sources (Uses)	\$221,222	\$-221,222	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$111,565	\$-2	\$-1	\$111,562

LA045 06/30/2000

Line Item #	Account Description	Low Rent Public Housing	Public Housing_ Comprehensive Improvement Assistance Program	Public and Indian Housing Drug Elimination Program	Total
1101	Capital Outlays Enterprise Fund	\$0	\$1,388,579	\$26,000	\$1,414,579
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$2,701,429	\$774,625	\$0	\$3,476,054
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$-1,838,024	\$0	\$0	\$-1,838,024
1112	Depreciation Add Back	\$61,417	\$1	\$0	\$61,418
1120	Unit Months Available	1199	0	0	1199
1121	Number of Unit Months Leased	1199	0	0	1199